

## Message Text

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PAGE 01 BERN 00916 020753Z

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ACTION EUR-12

INFO OCT-01 AF-06 IO-11 ISO-00 AID-05 CIAE-00 COME-00

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USMISSION EC BRUSSELS

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USMISSION OECD PARIS

USDEL MTN GENEVA

AMCONSUL ZURICH UNN

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, ECON, SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK OF FEBRUARY 22-28

1. SUMMARY: THE DOLLAR STRENGTHENED SLIGHTLY AND GOLD PRICES WERE STEADY IN QUET MARKETS. THE MONEY AND CAPITAL MARKETS ARE STILL VERY LIQUID, AND INTEREST RATES EASED LOWER. DESPITE THE RECESSION, TWO OF SWITZERLAND'S LARGEST BANKS RECORDED SIGNIFICANT INCREASES IN ASSETS AND NET PROFITS IN 1975. THE CONSTRUCTION BUSINESS, HOWEVER, CONTINUED TO DECLINE. FEBRUARY SAW THE FIRST DROP IN THE NUMBER OF SHORT-TIME WORKERS SINCE THE BEGINNING

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PAGE 02 BERN 00916 020753Z

OF THE RECESSION, AND PRELIMINARY ESTIMATES INDICATE

A SLOW-DOWN IN THE GROWTH OF UNEMPLOYMENT DURING THE MONTH. DURING 1975 WAGES AND SALARIES ROSE A LITTLE MORE THAN ONE-HALF THE 1974 RATE.

#### FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: THE ZURICH FOREIGN EXCHANGE MARKET WAS QUIET THIS WEEK DESPITE THE PROBLEMS OF THE LIRA; THE DOLLAR WAS DOWN A BIT AGAINST THE SF FOR MOST OF THE WEEK BUT STRENGTHENED AGAIN ON FRIDAY (FEBRUARY 27) WHEN NEWS OF CITY BANK'S PRIME RATE INCREASE REACHED THE MARKET. THE GOLD MARKET WAS QUIET AND PRICES WERE FAIRLY STABLE. RATES AS FOLLOWS:

2/23 (OPEN    2/27 (CLOSE)

|                              |           |           |
|------------------------------|-----------|-----------|
| SPOT DOLLAR                  | SF 2.5628 | SF 2.5690 |
| FORWARD DISCOUNTS (PCT.P.A.) |           |           |
| ONE MONTH                    | - 4.1     | - 4.0     |
| 2 MONTHS                     | - 4.0     | - 3.8     |
| 3 MONTHS                     | - 4.0     | - 3.9     |
| 6 MONTHS                     | - 4.0     | - 3.8     |
| 12 MONTHS                    | - 3.6     | - 3.5     |
| SF/DM                        | SF 99.95  | SF 99.94  |
| GOLD                         | \$ 131.50 | \$ 132.00 |

3. MONEY AND CAPITAL MARKETS: STILL VERY LIQUID; CALL MONEY RATE UNCHANGED AT 0.25 PERCENT. TURNOVER ON THE SWISS STOCK EXCHANGES WAS MODERATE AND PRICES WERE RELATIVELY STEADY; THE SKA INDEX WAS 207.4 (END 1959 EQUALS 100) ON FEBRUARY 27. THE CONFEDERATION AND THE UNDERSRITING BANKS HAVE STILL NOT REACHED AGREEMENT ON THE COUPON FOR THE PROPOSED NEW SF 500 MILLION BOND ISSUE (SEE BERN 0812). AS A CONSEQUENCE, INSTITUTIONAL INVESTORS HAVE INCREASED THEIR PURCHASES IN THE SECONDARY MARKET AND PUSHED THE MEDIAN YIELD DOWN FROM 5.34 PERCENT ON FEBRUARY 20 TO 5.29 PERCENT ON FEBRUARY 17.

4. BANKS PROSPERING: DESPITE THE SEVERE ECONOMIC RECESSION IN SWITZERLAND DURING 1975, SWISS BANKS ARE PROSPERING. END-OF-YEAR REPORTS ISSUED BY THE UNION UNCLASSIFIED

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PAGE 03 BERN 00916 020753Z

BANK OF SWITZERLAND (UBS) AND THE SWISS BANK CORPORATION (SBC), TWO OF THE LARGEST BANKS IN THE COUNTRY, SHOW SIGNIFICANT INCREASES IN BALANCE SHEET ASSETS AND NET PROFITS FOR 1975. UBS' ASSETS ON DECEMBER 31 AMOUNTED TO SF 47.3 BILLION, AN INCREASE OF 16.2 PERCENT FOR THE YEAR, AND NET PROFITS WERE SF 208.9 MILLION, UP 13.6 PERCENT. THE SBC DID EVEN BETTER WITH A 21.5 PERCENT INCREASE IN ASSETS TO SF 49.8 BILLION, AND NET PROFITS

JUMPING 30.0 PERCENT TO REACH SF 105.5 MILLION. BOTH BANKS REPORTED LARGE INCREASES IN THEIR HOLDINGS OF MEDIUM- AND LONG-TERM FUNDS, BUT A DROP IN REVENUES FROM FOREIGN EXCHANGE ACTIVITIES.

ECONOMIC

5. CONSTRUCTION BUSINESS: ACTIVITY IN THE SWISS CONSTRUCTION INDUSTRY, WHICH HAS BEEN THE SECTOR HARDEST HIT BY THE CURRENT RECESSION, CONTINUED TO DECLINE IN 1975. THE VALUE OF ORDERS ON HAND AT THE END OF THE YEAR AMOUNTED TO 58 PERCENT LESS THAN THE PEAK FIGURE RECORDED IN 1972, AND EMPLOYMENT HAS DROPPED BY 20 TO 35 PERCENT OVER THE SAME PERIOD. GIVEN THE LOW LEVEL OF ORDERS, THE LARGE NUMBER OF UNOCCUPIED DWELLINGS, THE EXCESS CAPACITY IN THE INDUSTRY, AND A STAGNATING POPULATION, THE PROSPECTS FOR THE BUILDING TRADES ARE NOT GOOD. MORE LAY-OFFS, SHORT-TIME WORKING, AND FIRMS GOING OUT OF BUSINESS ARE TO BE EXPECTED. A MAJOR INDUSTRY ORGANIZATION REPRESENTING SOME 130 CONTRACTORS AND ARCHITECTS HAS CALLED ON THE FEDERAL AND CANTONAL GOVERNMENTS FOR MORE ASSISTANCE.

6. UNEMPLOYMENT: ACCORDING TO OFFICIAL FIGURES, THE NUMBER OF WORKERS ON SHORT-TIME DECLINED FROM 136,661 AT THE END OF DECEMBER TO 120,573 AT THE END OF JANUARY. THIS DECLINE OF 11.8 PERCENT IS THE FIRST DROP SINCE THE START OF THE RECESSION IN MID-1974. A PRELIMINARY GOVERNMENT ESTIMATES THAT THE NUMBER OF FULLY UNEMPLOYED WILL RISE AGAIN IN FEBRUARY BUT AT A SLOWER RATE THAN HAS BEEN SEEN FOR THE PAST SEVERAL MONTHS.

7. WAGES AND SALARIES: HOURLY WAGES ROSE AN AVERAGE UNCLASSIFIED

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PAGE 04 BERN 00916 020753Z

OF 7.5 PERCENT DURING 1975, DOWN CONSIDERABLY FROM THE 12.1 PERCENT INCREASE RECORDED IN 1974. MONTHLY SALARIES IN 1975 INCREASED 6.6 PERCENT, AS COMPARED WITH 11.8 PERCENT IN 1974. THE AVERAGE INCREASE IN CONSUMER PRICES IN 1975 WAS 6.7 PERCENT.  
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